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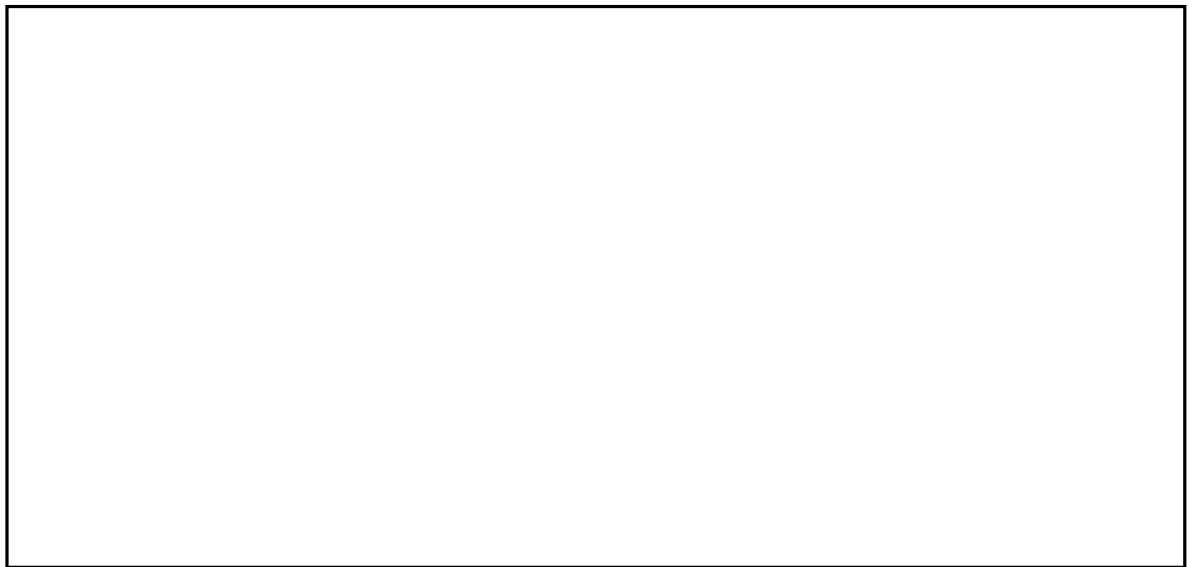
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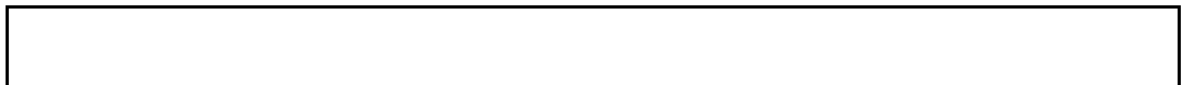
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The Overnight Reports, printed on yellow paper as the final section of the *Daily*, will often contain materials that update the Situation Reports and Briefs and Comments.

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SPECIAL ANALYSES

CHINA-USSR: Call for Talks

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China may be making a tactical adjustment in its policy toward the USSR aimed at reducing tensions with Moscow. Chinese leaders might reason that such a move would diminish the possibility of armed conflict with the USSR while China is focusing on economic modernization and, at the same time, alter slightly China's position in the Beijing-Moscow-Washington triangle. Nonetheless, China and the USSR remain sharply divided over fundamental principles and foreign policy issues. There is no sign that the Chinese are prepared to address these basic differences or to change the thrust of their developing relationship with the US.

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The Chinese interest in talks probably stems from a desire to soften the impact of their announced decision to terminate the Sino-Soviet treaty next April--yet another hostile act, in Soviet eyes. China also may have been concerned about Soviet military exercises in the Far East and the Soviets' abrupt suspension of Sino-Soviet trade talks following China's invasion of Vietnam. The Chinese probably discussed these concerns at high-level meetings in Beijing in March when they were deciding how they would deal with the treaty issue.

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At the same time, frictions with the US over the Taiwan omnibus legislation could be generating pressures within the Chinese leadership against any tendency to rely too heavily on the US as a counterweight to the USSR. Beijing might now wish to adjust--slightly--its position in the China-USSR-US triangle. In explaining China's attitude toward US arms limitation talks with the USSR, Vice Premier Li Ziannian recently told visiting US Congressmen that "we can conduct negotiations with the USSR to see if we can have normal relations."

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An article in the Chinese press last month may shed some additional light on China's intentions. The article eulogized a Chinese official who had proposed in 1962 that China simultaneously improve relations with the West and the USSR in order to devote its resources to domestic modernization. Other evidence indicates that the official's proposal was intended as a tactical adjustment in policy and explicitly did not envisage resolution of the fundamental problems dividing the USSR and China.

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Prospects

The USSR has thus far reacted warily to the Chinese offer of new talks that accompanied China's public denunciation of the Sino-Soviet friendship treaty on 3 April. The Soviets, however, have long felt that their bargaining position with the US would be greatly enhanced by an improvement in relations with China. Such a development would appear especially attractive while the US and USSR

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are holding final SALT negotiations and preparing for a summit. If the Soviets now conclude that the Chinese genuinely desire to reduce tension and even restore an appearance of stability to the relationship, they will quickly start unconditional talks. A Soviet decision to push forward with Sino-Soviet trade talks, now suspended, could be one signal of Moscow's willingness to preserve a working link with China. At the same time, the Soviets are likely to seek comparable evidence of Chinese sincerity. [REDACTED]

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There are sharp limits, however, to how far China can go in attempting to satisfy Soviet expectations. Any appearance of a significant warming in Sino-Soviet relations would undercut the basic thrust of China's anti-Soviet policy, to which the Chinese apparently remain committed. In short, the Chinese still face the same constraints that were operating after Mao Zedong's death and the purge of the radical Gang of Four in 1976 when they attempted to reduce tensions between the two sides. In 1977, the Chinese lowered somewhat the level of their anti-Soviet rhetoric and reached agreement with the USSR on technical border river navigation matters. These tentative steps did not go further, however, and the Chinese reiterated a firm anti-Soviet stance at the Fifth National People's Congress in early 1978. Another session of the People's Congress is likely soon, and it probably will provide an opportunity better to assess China's strategic and tactical moves. [REDACTED]

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OVERNIGHT REPORTS

(The items in the Overnight Reports section have not been coordinated within the intelligence community. They are prepared overnight by the Office of Current Operations with analyst comment where possible from the production offices of NFAC.)

USSR-China

The US Embassy in Moscow reported yesterday that the first secretary of China's Embassy had confided that Soviet officials are prepared to start negotiation of a Sino-Soviet trade accord for 1979 this coming Friday. The Soviets had postponed such talks in late March to express their displeasure regarding the Chinese attack on Vietnam. The Chinese diplomat also asserted that Beijing will give a "positive" response to the Soviets' note of 17 April on prospects for talks on bilateral political relations. [REDACTED] he suggested that such talks should first focus on achievement of an agreed "political document" to provide a new "juridical basis" for Sino-Soviet relations in the wake of China's abrogation of the friendship treaty of 1950. A Soviet expert on China told the US Embassy last Friday that he saw little likelihood of genuine progress in improving relations with Beijing. [REDACTED]

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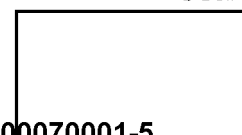
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Iran

The "Voice of the Islamic Republic" has announced the execution today by firing squad of 21 officials who had served the Shah. Among those said to have been killed were two former ministers in the government and an ex-head of the Majlis, the lower house of Iran's parliament. [REDACTED]

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Panama-US

The US Embassy in Panama learned yesterday afternoon that Romulo Escobar Bethancourt, the political adviser to General Torrijos, is scheduled to appear on television tonight to explain to the Panamanian people the government's position on the Canal treaty implementation bills now pending in the US Congress. The Embassy has doubts about the accuracy of what its source has said on the issues Escobar Bethancourt allegedly will address but does conclude that the speech will be "an important event in Panama." Panama's President Royo comes to Washington tomorrow for talks with President Carter.

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Poland-USSR

The US Embassy in Warsaw yesterday reported that a long article in a Polish economic weekly provides "one of the most informative discussions on Polish-Soviet economic relations we have seen in several years." The author, who heads the department in the Ministry of Foreign Trade responsible for trade with fellow CEMA members, contended that Poland intends to replace East Germany as the USSR's leading trade partner and noted that the turnover with the Soviets will soon account for one-third of Polish foreign trade. The official expressed the belief that bilateral trade will increase at an average annual rate of 10 percent during the next five-year plan (1981-85) and that Poland will be moving into a new, "integration" stage in its economic relations with the USSR.

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Ecuador

According to the US Embassy, 38-year-old President-elect Jaime Roldos, in a long conversation with the Embassy's political counselor, said the wide margin of his victory would give him more leverage in pushing socioeconomic measures and in going ahead with a moderately reformist government that will seek to strengthen democracy in Ecuador. He also frankly acknowledged his current problems with his political mentor Assad Bucaram, who had been disqualified as a presidential candidate by the military government. The Embassy commented that Roldos appears to be effectively working on his problems; a new local word, Roldoseando, connotes that he has not only the ability, but the luck, to surmount his obstacles and to continue in power for the full five-year term in the new constitution. [REDACTED]

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Cuba - West Germany

The West German Foreign Office has confirmed its agreement in principle to a visit by Cuban Foreign Minister Malmierca on 1 June, according to the US Embassy. Final scheduling details are being worked out. The Embassy notes that Foreign Minister Genscher has been negative toward the proposed visit but apparently is willing to meet with Malmierca. [REDACTED]

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Mauritania

Assessing the country's "new" regime a month after Lieutenant Colonel Bouceif became Prime Minister, the US Embassy in Nouakchott yesterday reported that there is as yet no concrete evidence Mauritania's Sahara dilemma has eased and that the Polisario's potential to influence events continues to grow. The country's financial posture was described as "more catastrophic than usual," and recent clashes between black and Moorish students have shown that racial animosities remain high. The Embassy nonetheless noted that Bouceif has scored some points on the domestic front through his conciliatory remarks regarding former President Ould Daddah--ousted in a coup last July--and the flurry of Sahara-related diplomatic activity. There have been few reports of opposition to Bouceif. [REDACTED]


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